

**MONTANA BOARD OF HOUSING**

Community Center  
Courthouse – 409 Missouri  
Deer Lodge MT 59722  
October 17, 2006

**ROLL CALL OF BOARD**

**MEMBERS:** Bob Thomas, Chairman (Present)  
Judy Glendenning, Vice Chairman (Present)  
J.P. Crowley, Secretary (Present)  
Susan Moyer (Present)  
Audrey Black Eagle (Absent)  
Jeff Rupp (Excused)  
Betsy Scanlin (Present)

**STAFF:** Bruce Brensdal, Executive Director  
Nancy Leifer, Homeownership Program Manager  
Mat Rude, Multifamily Program Manager  
Gerald Watne, Multifamily Program Officer  
Diana Hall, Administrative Assistant

**COUNSEL:** Pat Melby, Luxan and Murfitt

**OTHERS:** Gordon Hoven, Piper Jaffray  
Jim Stretz, GK Baum  
Tom Welch, Pioneer Federal Savings & Loan  
Mark Anderson, Peoples Bank  
Gayle Lambert, MT Dept of Corrections  
Barbara Miller, National Affordable Housing Network  
Lloyd Wallin, Lloyds of Deer Lodge Real Estate  
Mike Richards, Pioneer Federal Savings & Loan  
Teri Kellogg, Public Housing Authority of Butte  
Ron Hanson, Powell County Planner  
Diana Solle, Powell Co Econ Dev and Windermere Real Estate  
Helen Gill, City Council

**CALL MEETING TO ORDER**

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

**APPROVAL OF MINUTES**

Betsy Scanlin moved to approve the September 27 Board meeting minutes as corrected. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

## **INTRODUCTIONS AND PUBLIC COMMENTS**

The Chairman asked the Board, staff, and guests to introduce themselves.

Bob Thomas encouraged comments from the public. Gayle Lambert of the Department of Corrections trains inmates. She has been approached by a Yellowstone County Commissioner and also Big Sky Economic Development to put a program together for Montana Women's Prison utilizing part of the Montana Built grant for carpentry training. It will provide construction trade skills for the women. These skills will be used for low-income families on the Southside of Billings and other work furlough jobs. Then, hopefully, the inmates will use these skills and the work ethic developed to get jobs when they are released.

Ron Hanson informed the Board that he attended an Economic Development meeting several years ago about the time that the prison announced they were authorized for 80 new positions in Deer Lodge. The meeting brought up funding options for a housing study plan. They received a CDBG grant and also matching funds for the study. The Deer Lodge Housing Plan was developed with strategies for housing improvement. Strategies include establishing a local housing group, rehabilitating houses, and using infill when opportunities arise. Deer Lodge is landlocked by farming, but there is an opportunity for subdivision of 80 acres on the edge of town. Lloyd Wallin commented that there are no developers in the city or any high paying industry. Local community support is needed. Barbara Miller said her organizations are developing housing in southwest Montana with new construction and rehab. She thanked Montana Board of Housing (MBOH) for their role in housing, especially towards Habitat for Humanity. Tom Welch mentioned that MBOH and staff are very helpful, but communities need to step forward also. He said the housing market in Deer Lodge has improved. However, there are still affordability and availability issues. Tom said that many other towns have patterns that can be followed. Ron said the foundation has been established with the housing study. Now the community needs to try to make it work and meet with state program staff to gain knowledge and enthusiasm. The Chairman concluded this was good discussion and some ideas have come together from it.

## **MULTIFAMILY PROGRAM**

Mat Rude said Universal Design is being considered for the 2009 Qualified Allocation Plan (QAP). It encourages inexpensive planning when building that make houses more accessible for a broad range of people. Betsy commented that incorporating Universal Design for new construction and rehab would help with future costs and efficiency to borrowers and would increase the resale value. Bob Thomas also commented about Universal Design from a workshop attended in San Francisco. He really liked the idea of the process and ordered a video to show, possibly in November.

The Vintage Senior Housing application did not submit the information necessary to bring the project before the Board so it will not be discussed at this meeting.

The Reverse Annuity Mortgage (RAM) year to date statistics showed there are 69 current loans with 5 of them pending payoff. Mat requested an exception to the lump sum limit to pay off an outstanding mortgage. Judy Glendenning moved to approve the RAM exception. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The Board asked if interest is increasing in the RAM Program and Mat will provide comparisons with other years. There are some RAM ads on the Public radio stations.

Mat told the Board about the Tax Credit projects in the Deer Lodge area that Board members could drive by.

### **HOMEOWNERSHIP PROGRAM**

Nancy Leifer presented the Setaside Program summary. She said over \$8 million in current bond mortgage funds are earmarked for the setasides. This has allowed the pre-Ullman funds to rebuild themselves. Pre-Ullman funds also have an advantage if used for rehabilitation loans for two reasons: the loan can be used to refinance an existing loan, thereby assisting existing homeowners as well as new borrowers, and the loans do not have to comply with more recent IRS regulations concerning rehabs. Therefore, MBOH can develop rehab programs to include technical assistance from non-profits without all the IRS regulations. Another strategic advantage of the pre-Ullman funds is that they can be used directly with non-profits who hold the mortgages, as is proposed with the Chippewa Cree Housing Authority. Nancy gave an update on the other funds. Nancy introduced Terrie Kellogg with the Public Housing Authority of Butte (PHAB). Terrie said the PHAB has 12 scattered-site single-family homes available for homeownership to low income clients with PHAB. She requested \$750,000 for first mortgage financing of these homes. A homebuyer education course is required and ongoing counseling services are offered through PHAB. Maintenance is also provided for the new owner. PHAB is also providing a silent second on each home, which is forgiven over a period of 10 years. Judy Glendenning moved to approve the setaside request as proposed with the following suggestion: if the Housing Authority wanted to change the silent second to be paid when the house is sold, the Board approves that also without the Housing Authority coming back for permission. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Betsy asked about setaside programs that expire at the end of the year. Nancy responded that most of them could be incorporated in the pool of first mortgages that is matched by entities with down payment assistance.

The interest rate locally is 6.25%. MBOH will not change its rate at this time. About \$46 million is committed in the 2006 C bond issue, which leaves about \$14 million to reserve. Nancy anticipates having a new bond issue in January. News reports say the housing market is dropping off, but in Montana the market is fine. Judy said the days on the market are longer and it is no longer a seller's market. Nancy gave comparisons on the amount of loans and the average loan amounts of this year compared with last year. She will bring a report that compares the average income of borrowers with previous years.

Nancy reported that she has talked to the lender with the most issues from the servicing audit. They will work with MBOH to get issues resolved and will work with the liaison who is very effective in her position.

Many of the staff attended a training session on Homeownership Financing last week, which provided great training.

The Teacher's Program is not proceeding because the Federal Reserve is looking at how to consider the bonds purchased by the bank in terms of accounting. At the moment, the Federal Reserve is concerned that the bonds be entered at a value below par, which would make the bonds sub-prime and therefore not allowed for investment by banking regulations. The Federal regulators don't know what to do about the bank buying their silent seconds. So the program is in limbo until Farmers State Bank gets a clear reading back from the Federal Reserve. The most recent development is that the bank now needs to file a formal request to the national Federal Reserve Board to get an opinion. Kay Clevidence of Farmers State Bank is preparing the request, with letters from MBOH.

Nancy presented background information on private mortgage insurance (pmi). MBOH's current coverage is with Genworth, which was selected because of the benefit to the borrowers. Pmi is less expensive to the borrower than government backed insurance. Rating agencies do not rate pmi-backed loans as highly as government-backed loans; therefore, using pmi insurance raises the amount of assets needed to maintain bond ratings. Lenders say pmi is easier to work with and a wider range of lenders would offer our program. Over the past year, some providers of pmi have added a special premium for insuring manufactured homes. Genworth has backed off on the 20 basis points surcharge for Housing Finance Agencies (HFAs) for manufactured homes and covers manufactured homes at the same rates as stick-built home. Judy said the lenders who use Genworth pmi love it. The last few months, an average of 15-20% of MBOH loans have been conventional with pmi, with another 3-5% as deep equity loans. Pmi loans can be securitized by putting them into mortgage-backed securities (MBS); when in an MBS, pmi-backed loans are viewed by rating agencies as very low risk and do not require additional assets beyond 100% coverage for rating purposes. Genworth is now offering a 10 basis points discount for homebuyers that complete and 8-hour face-to-face homebuyer training class. One challenge for the future is ongoing pressure to reduce coverage levels. MBOH has 40% coverage on loans for the regular bond program; any lowering of this level could affect the bond rating. Options and pros and cons were discussed. Peter Nolden informed Nancy that MBOH is the only state with which he works that does not securitize Rural Development (RD) loans into MBSs. In investigating this, Pete found that rating agencies consider RD loans as more risky than pmi-backed loans. Pete recommends that if MBOH moves to using MBSs to securitize its pmi loans in the future, that we include our RD loans as well. Potential disadvantages to using MBS's stem from the fact that they require use of a master lender for servicing and foreclosure. Individual banks would no longer have the option for local customer service and MBOH would no longer be involved in the foreclosure process. Nancy said other companies have approached MBOH about providing pmi. The Board agreed that it would want any new providers to provide like coverage at the same rates and also have a solid track record.

## **BOARD MEMBER TRAINING**

J P Crowley said the conference in New York was beneficial for Board members. He feels that 75% of the learning takes place through conversations with other Board members. He attended sessions on green building and also structuring bond deals.

Bob Thomas is interested in Universal Design for a person with disabilities, which also increases functionality for people without disabilities. He will present a tape at the next meeting. Bob also

expressed appreciation for Jeannene Maas for training for Realtors in the Bitterroot valley and the publicity it brought for MBOH.

Judy Glendenning expressed that the San Francisco conference wasn't informative to Board members and was geared towards staff. They used a roundtable format, which meant that the subject presented at the beginning would dominate the floor. She did attend a session that covered Annual Reports. Bruce commented that most of the conferences are very technical. Susan Moyer agreed with Judy's assessment. Susan like the NCSHB conferences, which are geared more for Board members. J P said the NCSHB conference had some of the same complaints about sessions for Board members. He mentioned that Board members from neighboring states like to attend the statewide housing conferences.

### **EXECUTIVE DIRECTOR**

Bruce Brensdaal encouraged the Board to make comments on the strategic planning retreat that took place in Hamilton. He will work to implement strategic plans in the next year.

Bruce informed the Board of staff changes with Anastasia Burton leaving for a marketing and public relations position. Also, Julia Hall is leaving for another position.

The next meeting is scheduled for November 17 in Helena. Meetings are tentatively planned for December 14 in Helena. Betsy encouraged meeting on Mondays so Board members don't miss two working days and also suggested dinner and training the evening before the meeting. Bob Thomas liked the speakers to be facing the audience. Susan extended an invitation to the Board to participate in a meeting being scheduled with a lady who started land trust funds in Portland and Missoula. Betsy would like to see the heads of existing housing authorities report on what is working and what are the sources of revenues.

The meeting adjourned at 12.15 p.m.

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J. P. Crowley, Secretary

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Date